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SUBJECT: OBASANJO OFFERS TO RESIGN IF IT WOULD GAIN DEBT RELIEF FOR NIGERIA

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¶1. (SBU) SUMMARY: President Obasanjo celebrated Nigeria's "Democracy Day" with two speeches. An address to the nation reiterated platitudes on what his first and second administration have done for Nigeria, but the other speech, a lecture at the International Conference Center in Abuja gave his audience more than they had expected. Obasanjo declared he was ready to resign if that were necessary for the Paris Club and other international financial institutions to write off Nigeria's foreign debt. It was so astonishing, and wreathed in caveats, that Nigerians paid little attention, but his audiences at the Sea Island Summit June 8-10 should be prepared for him to raise debt relief with similar depth of feeling (although probably not a similar offer). END SUMMARY.

¶2. (SBU) President Obasanjo last week declared May 29 a national holiday, the anniversary of his first inauguration as Nigeria's civilian president bringing military rule to a close. It was to be a celebration of his administrations' accomplishments, and more broadly of democracy in Nigeria. Few paid much attention to either of the two events where he spoke, basically being held for his supporters, and there was not much to listen to in the address carried nationally.

¶3. (SBU) At the other, a seminar on democracy at the International Conference Center in Abuja, Obasanjo told the audience that Nigeria could not sustain paying debt service on the 30 billion USD he said Nigeria owes creditor nations. For this reason, he said, his administration fighting for debt relief and it had become a political rather than economic issue. "The truth is that debt relief, debt cancellation, debt whatever, is only a political issue. It is not an economic issue. We reject it (the debt). If we reject this, we believe that our brothers in the West can take a firm position and say in their own countries and indeed to the world, that the debt is unpayable and unsustainable if we really want to have a world that will be regarded as an equitable world."

¶4. (SBU) Obasanjo reminded the sparse audience that most of Nigeria's debts were penalties imposed when previous Nigerian military governments had not paid on time or not at all. The original borrowing had basically been paid back already. "We have paid some of these debts two times over; for the original 10 billion, 30 billion is being asked. Why?" he queried.

¶5. (SBU) Obasanjo asked why creditor nations canceled the debts of Pakistan and Iraq, and then said he would resign if someone's downfall was needed to make debt relief happen.

"If the debt of Pakistan can be written off because Pakistan and Afghanistan are now U.S. allies, and the debt of Iraq can be written off after the downfall of Saddam, we do not want the downfall of anybody in Nigeria before you can write off the debt. But if actually a downfall of some sort is needed, I will volunteer to step down."

¶6. (SBU) Obasanjo quickly added that should such need arise, he would have to consult the National Assembly first before resigning.

¶7. (SBU) COMMENT: Debt relief remains a cornerstone of Obasanjo's hoped-for legacy, and he will continue to raise the issue at every venue, including the upcoming Sea Island Summit. His Finance Minister, Ngozi Okonjo-Iweala, has very persuasively talked of waiting six months before re-opening discussions on debt relief, in order that Nigeria can provide the concrete results from its reform policies necessary for any consensus to be reached among Paris Club and other creditors. Obasanjo speaking off the cuff is a bit less nuanced, and he reflects a widely held disappointment among Nigerians that debt relief has not been among the fruits of democracy.

CAMPBELL